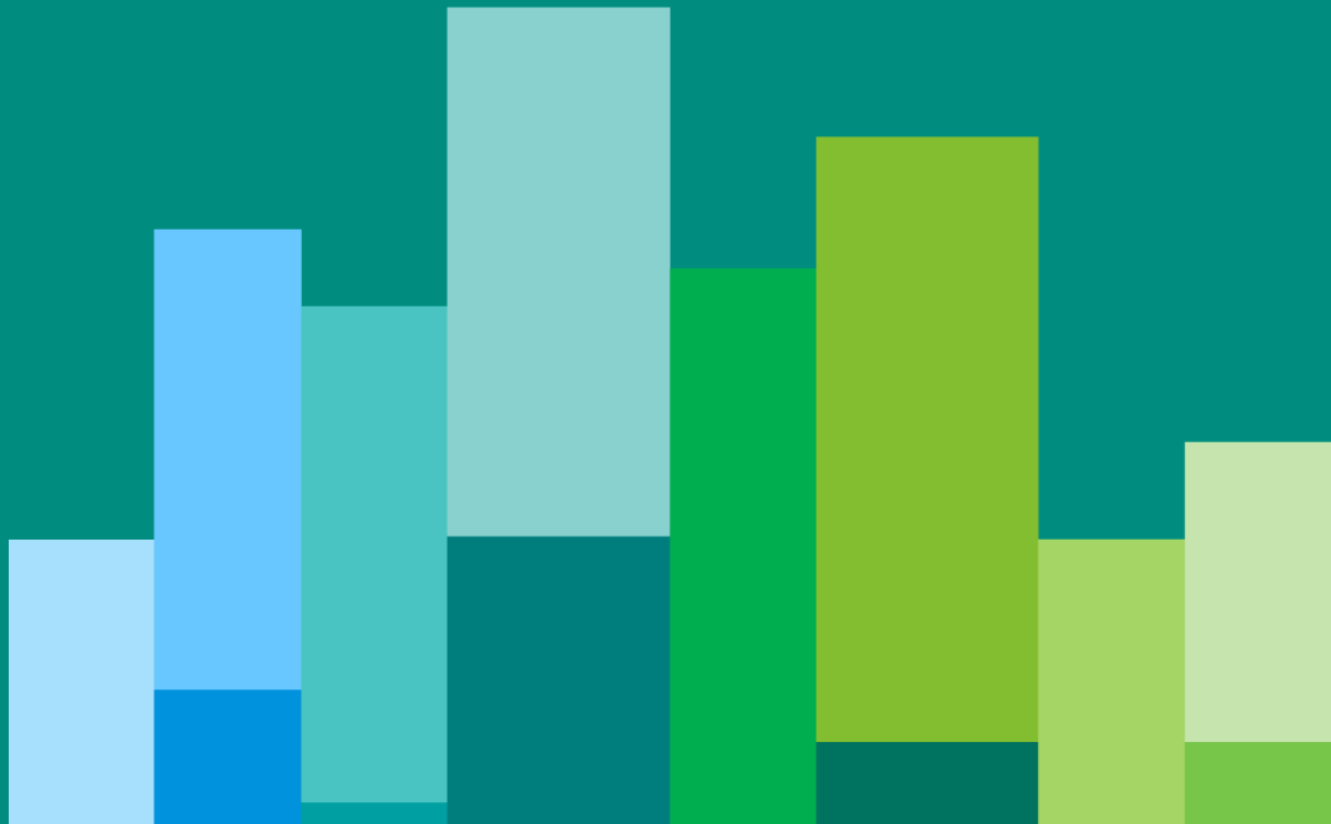


FUTURES ON DTCC GCF REPO INDEX™



WHAT IS GCF REPO®?

GCF stands for, General Collateral Finance.

It is a trading platform that member banks (60) use to finance their US Treasury, Agency and Agency Mortgage-Backed (MBS) market making inventories.

Trading is executed through the use of a single, generic cusip per asset class.

The trade itself is a repurchase agreement or repo (buy or sell the asset today vs payment, agree to sell or buy the asset back on another, pre-defined day vs payment plus interest. The interest is the 'repo rate'.)

The GCF repo® trades are executed through IDB's on a 'blind' (anonymous) basis. Trade facts are submitted to the CCP (central counterparty clearing), FICC, a subsidiary of DTCC for guaranteed settlement.

The netted trade is collateralized with any issue(s) from the underlying traded asset class (US Treasury, Agency or MBS) at end of day.

The index that we use for our futures are based only on the interest rate paid on the 'overnight' (B/S today, S/B back tomorrow) variant (\$300+B US).

The index is a weighted average compiled daily from the hundreds of trades worth hundreds of billions US, per asset class



HOW DOES THIS DIFFER FROM THE OTHER BENCHMARK INDICES?

As discussed above, GCF is –

Based on actual, secured (collateralized) interbank financing transactions.

Based on transparency – trade volume reported daily by DTCC.

Centrally cleared – through FICC/DTCC whom becomes the counterparty to all trades and guarantees settlement (no bank credit risk, you face a AAA entity).

The index tracks the actual cost of secured financing experienced daily by the member banks.



HOW DOES THIS DIFFER FROM THE OTHER BENCHMARK INDICES?

The other indices do not have the above characteristics -

Either not collateralized (unsecured - Fed Funds, Eonia) or no transactions (Libor and Euribor – a rate survey of member banks).

No transparency – trade volume not reported or nonexistent (Libor, a survey)

Not centrally cleared – interbank credit risk.

These indices do not track the actual financing costs experienced daily by the banks.



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Expirations - 24 serial Monthly Contracts.

Trade unit - Interest on relevant DTCC GCF Repo® having a face value of \$5,000,000 for one month calculated on a 30- day basis at a rate equal to the average relevant DTCC GCF Repo Index™ rate for the contract month.

Quoting convention – 100 minus the corresponding average daily DTCC GCF Repo Index™ rate for the delivery month.

Final Settlement – Expiring contracts are cash settled against the corresponding average daily DTCC GCF Repo Index™ rate for the delivery month, rounded to the nearest one tenth of a basis point.



WHO WILL USE THESE PRODUCTS (AND WHY)?

Bank financing desks as a refined (per asset class) hedging vehicle to hedge their financing interest rate exposure.

Bank 'rates' desks for the same reason.

The 'buy side' or Hedge Funds. The banks natural 'trading partners' for similar reasons.

Proprietary trading desks will have a vehicle that moves with the actual financing costs experienced by the banks.

All of the above will be able to express future interest rate opinions through these contracts because repo financing will follow the US central bank (Fed) easing or tightening.



OTHER RELEVANT POINTS-

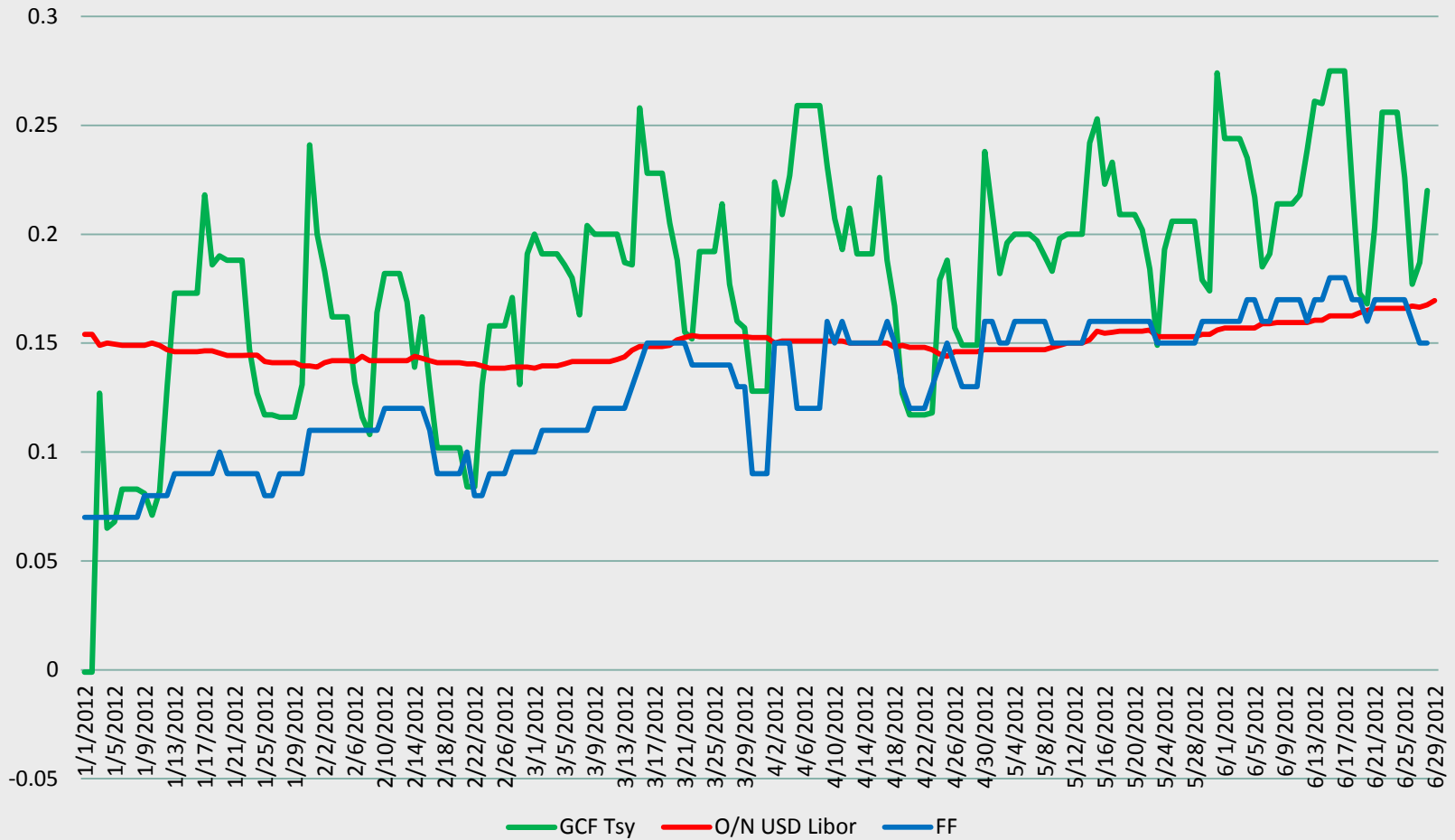
The US Treasury is considering using the Treasury GCF Index for its proposed Floating Rate Note (FRN). A critique of the index mentioned during the comment period and published in the Federal Register, was the lack of a developed derivatives market which we will remedy on July 16th. The announcement of a choice would be made with the quarterly Treasury refunding announcements that take place during the 1st week of February, May, August and November. I believe another deferment on the announcement in August and perhaps a decision in November.

As the Libor scandal accelerates over the next few months and GCF gets much wider focus/discussion within the financial community, GCF's position will get stronger for the FRN and as a replacement benchmark for Libor domestically and perhaps internationally.



INDEX COMPARISON

Treasury GCF / USD LIBOR / FF Jan 2012~Jun 2012



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